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Industry Study: Iloilo City

Investment Enabling Environment (INVEST) Project

Submitted to:

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Office of Economic Development and Governance
U.S. Agency for International Development
under Contract No. AID-492-C-11-00005
(Output No. 2.1, Deliverable 2, Program Area 2.3, Component 2)

December 6, 2014

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LIST OF ACRONYMS

AHFF	Agriculture, Hunting, Forestry and Fishing
ANTECO	Antique Electric Cooperative
AKELCO	Aklan Electric Cooperative
BOSS	Business-One-Stop Shop
BPLO	Business Permits and Licensing Office
BPO	Business Process Outsourcing
CAPELCO	Capiz Electric Cooperative
CBD	Central Business District
CDI	Cities Development Initiative
CENECO	Central Negros Electric Cooperative Inc.
CLUP	Comprehensive Land Use Plan
COA	Commission on Audit
CPDO	City Planning and Development Office
CT	Computerized Tomography
CTO	City Treasurer's Office
DDPC	Double Dragon Properties Corporation
DENR	Department of Environment and Natural Resources
DILG	Department of the Interior and Local Government
DOT	Department of Tourism
DOTC	Department of Transportation and Communication
DTI	Department of Trade and Industry
FGD	Focus Group Discussion
GBPC	Global Business Power Corporation
GIFTS	Guimaras-Iloilo Ferry Terminal System
GIZ	German Agency for International Cooperation
GLA	Gross Leasable Area
GRDP	Gross Regional Domestic Product
HEP	Hydro Electric Power Plant
ICPO	Iloilo City Police Office
ICTIPB	Iloilo City Trade and Investment Promotions Board
ILECO	Iloilo Electric Cooperative
INVEST	Investment Enabling Environment Project
IPP	Independent Power Producers
IRA	Internal Revenue Allotment
IT	Informant Technology
LGU	Local Government Unit
LTFRB	Land Transportation Franchising and Regulatory Board
MBPS	Megabytes Per Second
MERALCO	Manila Electric Company
MIGEDEC	Metro Iloilo-Guimaras Economic Development Council
MSME	Micro, Small, and Medium Enterprises
MIWD	Metro Iloilo Water District
MW	Megawatt
NCC	National Competitiveness Council
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
OFW	Overseas Filipino Worker

PPA	Philippine Ports Authority
PECO	Panay Electric Company, Inc.
PEZA	Philippine Economic Zone Authority
PGPSC	Panay-Guimaras Power Supply Consortium
PLDT	Philippine Long Distance Telephone Company
PPP	Public-Private Partnership
PSIC	Philippine Standard Industry Classification
RDF	Regional Development Framework
RDP	Regional Development Plan
REID	Research, Education, and Institutionalization Development
RORO	Roll On Roll Off
SAGE	Spending Assessment for Government Efficiency
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
YOY	Year Over Year

I. INTRODUCTION

A. Context and Background of the Industry Study

The Investment Enabling Environment (INVEST) Project is a two-year undertaking of the United States Agency for International Development (USAID) that seeks to improve the investment climate in the Philippines by providing direct technical and capacity-building assistance to three (3) selected first-class cities: Batangas, Cagayan de Oro and Iloilo. The Project's objectives are to lower transactions costs and reduce the cost of doing business in the cities' jurisdictions, as well as to increase their competitiveness as investment destinations. More specifically, INVEST is assisting these cities, which are considered as partner cities of USAID under its Cities Development Initiative (CDI), in streamlining business registration processes and in improving local investment planning and promotion.

Under the Project's Program Area 2.3: "Managing Performance to Enhance City Competitiveness", specifically Deliverable No. 3: "Enhanced Positioning of Industries in Partner Cities", the Project commissioned the conduct of an industry study in each of the CDI cities. The conduct of these studies was triggered by the results of consultations with city officials and local business chambers which indicate the lack of information on the potentials of the target cities in promoting industrial growth. While there is willingness on the part of city officials to provide incentives, they need to be guided on the kind of industrial activities where the city would have comparative and competitive advantages.

The results of the study are envisioned to contribute in accelerating growth in the partner cities by being able to direct potential or prospective investors to sectors where their investments can yield better, if not best, returns. This will help the investors by showing or defining the sectors or industries that are highly suitable and feasible for further investment. Cities, on the other hand, will also benefit from the study through information on high impact industries and sectors, which they can promote by putting in place a business-friendly environment.

This study focuses on Iloilo City, which was prepared by Ms. Mary Ann Gumban, Dean of the Inuiversity of the Philippines, Visayas.

B. Objectives of the Study

The industry study is primarily intended to: (1) assess the industry mix and potentials of Iloilo city; (2) identify industries that the city could develop to lead local economic growth; (3) evaluate the backward and forward linkages of such industries; and (4) draw up a set of actions/strategies to promote the development of these industries.

C. Methodology and Framework

This study used mostly secondary data and statistics from the city government as well as national government agencies. Data were also gathered from the Business Processing and Licensing Office (BPLO) of Iloilo City, which was used in computing for trends in the number of

business establishments in the city, the value of capitalization and gross sales generated by the business sector.

Focused Group Discussions (FGDs) were conducted for industries with growth potential aimed at identifying gaps as well as strategies and interventions that the city government can undertake to steer local economic development. The members of the Iloilo City Trade and Investment Promotions Board (ICTIPB) were also consulted to validate the identified growth-promising industries by the businessmen and other stakeholders and interest groups during the FGDs. The study also considered the results of the visioning session with various stakeholders in the city. Information was also gathered from key informant interviews as well as from recent publications and web information.

II. SOCIO-ECONOMIC PROFILE OF ILOILO CITY

Iloilo City is the capital of the province of Panay. It earned the monicker “La Muy Leal Y Noble Ciudad de Iloilo” or “Most Loyal and Noble City”, an inscription in the Coat of Arms from the Royal Decree of 1896 in recognition of the local people’s loyalty to the Spanish crown. The Queen Regent of Spain bestowed Iloilo the title “Queen’s City of the South.”

Iloilo City is one of the more vibrant cities of the Philippines. It was ranked 6th most competitive city out of the 136 cities included in the cities and municipalities competitiveness ranking project of the National Competitiveness Council in 2014.

A. Geography

The name “Iloilo” was derived from the word “*irong-irong*”, a reference to the Hiligaynon word “*irong*” which means “nose”, drawn from the nose-like shape of the Iloilo River. Other accounts also pointed the origin from a local fish of the same name which was indigenous to the place and a staple food of early inhabitants’ daily meals.

Iloilo City rests at the periphery of the largest marshland in Western Visayas, sitting on a flat alluvial plain making it flood prone by natural design. The city’s geography is typical of coastal marshes and mangrove forests. The riverfront properties faces the highest flood risk. There are four water courses providing the city with natural drainage: (1) the Jaro River, which is fed by its



tributary rivers, Aganan and Tigum, passes by the flood plains of the Jaro and La Paz districts; (2) the Batiano River; (3) the Dungon Creek; and (4) the 16-kilometer Iloilo River estuary. These rivers cut across the heart of the city separating the districts of the City Proper, Molo and Arevalo from the rest of the city and emphasizes a rich ecosystem in a modern and highly-urbanized city. Within Iloilo City alone, these rivers stretch over 113 kilometers.

Located at the southeastern corner of Panay Island, with a 21-kilometer coastline facing the Guimaras Strait, much of Iloilo City’s substrate is reclaimed land. Much of this land conversion took place during a period of urbanization and industrialization in the late 19th century. The

city’s coastline has a full standard capacity port and arrastre facilities located at two strategic areas. Due to its accessibility and modern conveniences, the city has become a gateway to modern tourist destinations. The world famous Boracay Island is only a five-hour bus ride away from Iloilo while the island province of Guimaras, known for its white sand beaches and world’s sweetest mangoes, is only three kilometers across a deep sea channel or 15-minute boat ride from Parola Terminal.

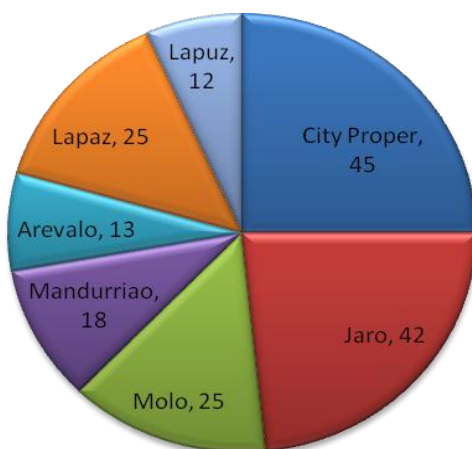
Iloilo City is about 283 statute miles from Manila through Antique waters and 337.6 nautical miles through Capiz waters. More than 57.4 percent of the city’s land area is considered

residential. The land feature is flat and low-level mass. Around 90 percent of its land mass has an elevation of 2.64 meters above the main level water while the remaining 10 percent has an elevation of 5.19 meters.

From Manila, Iloilo City is only 55 minutes by plane and 18 hours by the fastest ship. From Cebu, it is only 25 minutes by plane and 12 hours by ship and from General Santos and Davao, a little more than 1 hour. The city is accessible by land through the major arterial highways of the province and by sea through its own national seaport. The city faces Iloilo Strait and Guimaras Island, making it a natural harbour and a safe anchorage for ships.

Iloilo City has a total land area of 78.32 square kilometers, seven political districts and 180 barangays. All of the geographical districts of the city were once individual towns, excluding Lapuz, which was a sub-district of La Paz until 2008. They were incorporated into one city when Iloilo gained cityhood status and was inaugurated as a chartered city on August 25, 1937 during the Commonwealth Republic. Iloilo City has only one legislative district.

**Figure 1. Political Subdivisions of Iloilo City
and the Total Number of Barangays per
District**



Source: Iloilo City PDO, 2013

All the districts of the city have their own churches, which are subordinates to the Archdiocese of Jaro. The districts of Jaro, Mandurriao and Molo are considered commercial areas, while Arevalo and La Paz are residential areas. Molo was once a residential district currently developing into a commercial area, while Mandurriao is now booming as the new central business district of Iloilo City, being home to the rising development of Megaworld properties and Ayala Land Corporation as well as the city's largest shopping mall, SM City Iloilo. The City Proper is also a commercial area and the political center of the city and of the province. It is also home to Iloilo's domestic seaport and river wharf. The newly-formed geographic district of Lapuz is primarily an industrial and residential zone, with shipping companies, oil depots and a flour milling factory.

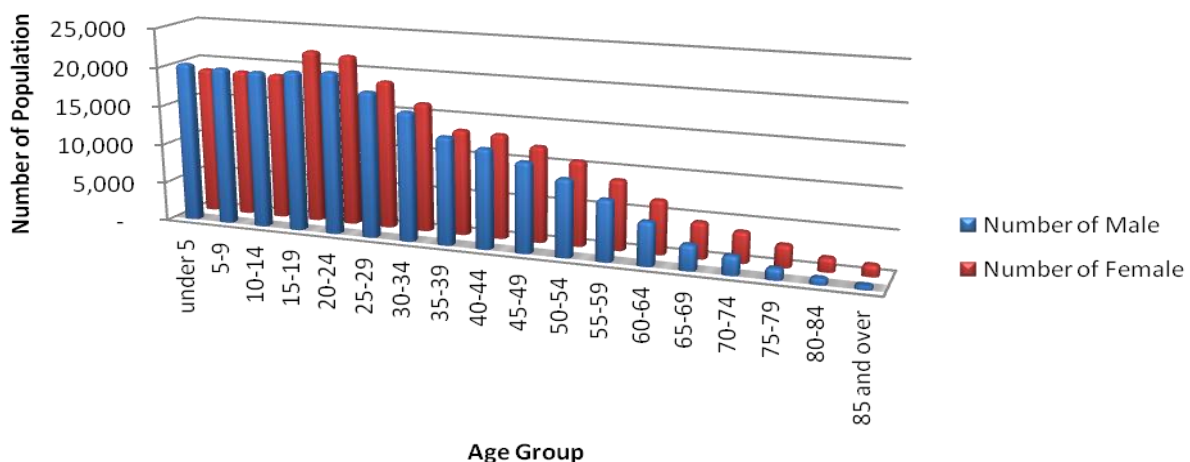
Iloilo City's weather pattern belong to Type 1 Climate Zone based on the Corona Classification, which is characterized by two pronounced seasons - dry from November to April and wet for

the rest of the year. It's location between the wet/typhoon prone and dry/hot belts of the archipelago, points to the likelihood of high rainfall variability, rather than a pronounced rainfall increase or decrease. The recent World Wildlife Fund for Nature study reveals that Iloilo City will be exposed to all six climate scenarios, namely; (1) El Niño southern oscillation events; (2) sea surface temperatures; (3) ocean acidification; (4) sea level rise; (5) intense tropical cyclones; and (6) extreme rainfall, river flow and flooding.

B. Demographics

The latest National Statistics Office (NSO) Survey of 2010 shows that Iloilo City has a total population of 424,619, which is growing at the rate of 1.59 percent. Almost 64 percent of its population belongs to the working age group while 64.58 percent is below 35 years old, clearly indicating that Iloilo City has a young population. There are more females (51.2%) than males in the city.

Figure 2
Number of Population by Age Group per Gender



Source: National Statistics Office (NSO)

The population survey of NSO only accounts for permanent city residents excluding the transient residents who are from the province and other neighbouring municipalities and cities who work in the city of Iloilo. The projected 2010 NSO population for Iloilo City including the transient residents is 467,664, which is growing by 1.8 per cent. Population density is estimated at 5,981 persons per square kilometer.

C. Transportation

Servicing Iloilo City is the Iloilo International Airport catering to 16 flights to and from Manila daily, with international flights to Hong Kong and to local destinations such as Cagayan de Oro, General Santos City, Puerto Princesa, Tacloban, Cebu, and Davao.

The city is accessible by land through arterial nautical highways and circumferential roads and by sea through its own national seaport. The city faces Iloilo Strait and Guimaras Island across it, making it a natural harbour and a safe anchorage for ships.

The Iloilo Fastcraft and Roll On-Roll Off (RORO) Terminal is a Php170 million project located in the 7,000 square meter port facility. The site of this project, which was once a shipyard, will now be transformed into a modern ferry terminal that will accommodate the Iloilo-Bacolod boats/ferries currently docking at the Muelle Loney pier. The pier will be transformed into a boulevard for tourists. Apart from the terminal building, there will be other RORO facilities, e.g. berthing station and other amenities. The Presidential Proclamation transferring the ownership of the property to the Philippine Ports Authority (PPA), Department of Environment and Natural Resources (DENR) and the City Government is currently being processed.

The Guimaras-Iloilo Ferry Terminal System, also known as the Parola Ferry Station Project, is a Joint Venture Project amounting to Php135 million between the Iloilo City Government and Double Dragon Properties Corporation. This first-class terminal is 1.2 hectares in area and will service all passengers between Iloilo and Guimaras. The construction plan includes the building of an Eco-park (a 'green' park) to replace the current Rotary Park. The facility will support the tourism strategic plan of the Metro Iloilo-Guimaras Economic Development Council (MIGEDC) which calls for the development of a world-class tourist dock facility. This will complement the plan of the Department of Transportation and Communication (DOTC) to build a Php125 million modern wharf, slope protection embarkment and other site development for vessels plying the Iloilo-Guimaras strait.

As of 2012, the Land Transportation Franchising and Regulatory Board reported 3,416 registered public utility jeepneys plying the city routes around the seven districts of the city and 1,836 taxi units, 80 percent of which are on a 24-hour service.

To augment the on-going developments of the ports and wharfs, the road networks and bridges of the city are currently undergoing expansion. The Benigno S. Aquino Avenue, popularly known as Diversion Road, is one of the busiest roads in Iloilo City. It is an existing six-lane, two-way national arterial road, connecting Iloilo City to the Iloilo International Airport and to other towns in the central part of the province of Iloilo. The widening and beautification of Diversion Road will optimize its potential as the new growth corridor in Iloilo City leading to the Metro Iloilo area. The project when completed is going to enhance the attractiveness to locals and tourists/visitors of Iloilo River, Iloilo Esplanade, Smallville/Boardwalk complex, and other business establishments along the avenue. The completion of the project will also ease the traffic in the area as more people use the road to connect them to different places in the metro and other municipalities. Muelley Loney Street, a historical road running parallel to the river, provides motorists an alternative route in the City Proper area. Almost all other roads and bridges networked in the city area are undergoing repairs and rehabilitation to better serve the flourishing city.

D. Utilities

Electric Power

Electric power is provided primarily by power plants owned by Global Business Power Corporation (GBPC) . Located within the city is diesel-powered Panay Power Corporation (PPC) operating a 72-megawatt plant generating electric power for two distributors, the Panay Electric Company (PECO) and Iloilo Electric Cooperative I (ILECO I).

Another source of electric power is a clean coal-fired power plant located at Barangay Ingore in Lapaz, Iloilo City operated by the Panay Energy Development Corporation (PEDC), a subsidiary of GBPC. This is a two-unit 82 megawatt plant supplying power to eight electric cooperatives in the Panay-Guimaras Power Supply Consortium namely, the Iloilo Electric Cooperatives (ILECO I, II and III), Capiz Electric Cooperative, Antique Electric Cooperative (ANTECO) (and the Aklan Electric Cooperative (AKELCO), Central Negros Electric Cooperative Inc. (CENECO) and PECO.

PECO is distributing electric power to 180 barangays of Iloilo City serving 52% of the whole power demand of the entire Panay Island grid. PECO gets its power from two independent power producers, namely PPC and PEDC. As of 2012, PECO has 55,000 active consumers and demand for power is estimated at 5.5 - 6% annually, which will likely increase further when Megaworld, the Ayala Technohub and IT-BPO companies fully operate their facilities starting next year. To further augment the current supply of electric power, a two-unit 135 megawatt coal-fired power is currently being constructed at Barangay Nipa in Concepcion, Iloilo with a project cost of Php26.35 billion.

The construction of a 6.6 megawatt hydro-electric power plant is also underway by the Jalaur River Multi-Purpose Development Project II. The Province of Guimaras is also putting up an alternative energy source using windmills. This Php116 million wind energy project of Trans-Asia Renewable Energy Corporation will use 27 windmills to generate 54 megawatt of power supply and will be located at San Lorenzo, Guimaras.

Water

The Metro Iloilo Water District (MIWD) is the sole distributor of potable water supply in Iloilo City. Its service area covers Iloilo City, which consists of seven districts of Arevalo, City proper, Jaro, Lapaz, Lapuz, Mandurriao and Molo; and seven surrounding municipalities of Cabatuan, Leganes, Maasin, Oton, Pavia, San Miguel and Sta. Barbara. Water sources include springs, surface water and ground water. MIWD extracts its supply from Tigum River through an intake dam constructed in Barangay Daja, Maasin with a capacity of about 30,240 cubic meters of water per day. From the dam, raw water is conveyed by gravity through a 1 ½ kilometer pipeline, 18 inches in diameter, to a sedimentation basin in Barangay Buntalan, Maasin and 24 inches cement-coated pipe that goes directly to a raw water basin at the reservoir in Santa Barbara, Iloilo. This can adequately supply the water demand of Iloilo City, which is estimated at 23,591 cubic meters per day. Looking into the future, certain infrastructure rehabilitation is needed for MIWD to supply adequately the growing needs of an expanding urban area. Without the guarantee of having ample water supply to satisfy the present and future requirements of the city, potential investors may not be attracted to locate their businesses in Iloilo City.

As part of its mitigating measures, MIWD is now improving its water supply and distribution services through bulk water supply supplementation. Another substantial improvement is anticipated once the Jalaur River Dam Project of the National Irrigation Authority and the Provincial Government of Iloilo is completed and starts supplying another source of raw water for MIWD.

A World Bank study in 2009 pointed to MIWD's poor water distribution performance. The water district is being weighed down by low coverage of only 20 percent of Metro Iloilo households, intermittent water supply wherein 30 percent of the connections have less than 12 hours supply of water, low pressure where only 24 percent of the connections have more than 7psi water pressure, low water quality where 16-27 percent did not meet water quality standards, and high

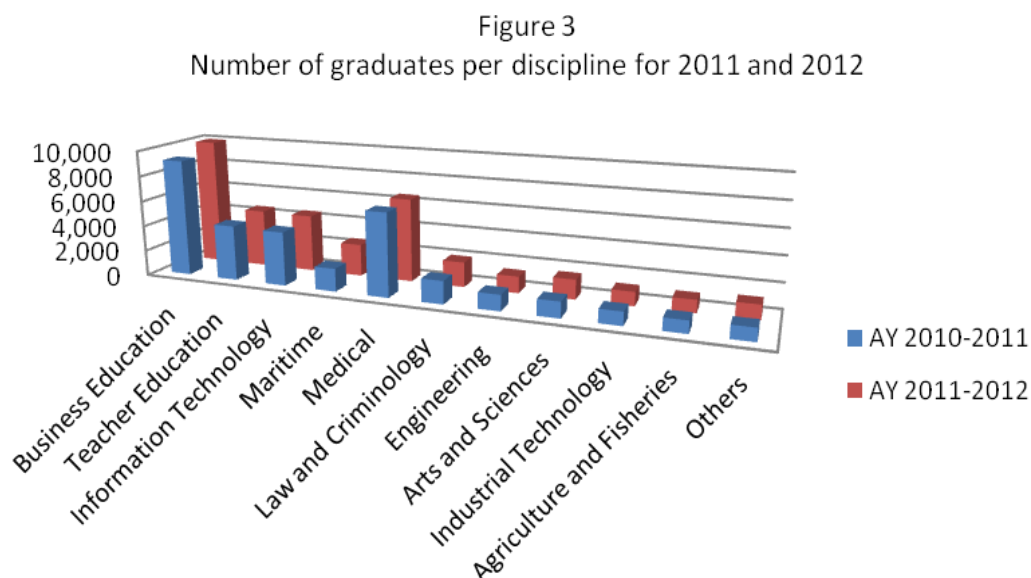
water losses of 37 percent non-revenue water due to old and leaking mains/pipes and illegal connections.

Telecommunication

The modern conveniences and facilities of communication and technology are provided by five major telecommunication companies present in the City of Iloilo, namely; Sun Cellular, Globe Telecom, Smart Communications, Bayan Telecommunications, and Philippine Long Distance Telephone Company. These telephone companies provide landline as well as mobile and cellular type communication facilities in all offices and business establishments in the city. The entire city has been included within the cyber loop of internet accessibility with open interconnectability. Digital Subscriber Line (DSL) connections offer up to 10 megabytes per second for business class and an availability of 100mbps fibre to the homes of city residents.

E. Manpower Pool

Iloilo City has practically one school in every square kilometer of the area, making it a major university city in the country with 27 tertiary institutions including nine universities producing at least 25,000 to 40,000 competent college graduates every year with degrees in business (28%), teaching (13%), arts and sciences (4%), medical and health-related (18-20%), agri-fisheries (3%), engineering (4%), information technology (13%) and law and criminology (5%) (refer to Figure 3).



Source: Commission on Higher Education Region VI

The graduates of Iloilo City schools are English-proficient, highly trainable and immersed in western-oriented culture, providing a pool of talent for service-oriented industries, business process outsourcing jobs, and overseas employment. Iloilo City has a literacy rate of 92.8 percent, according to data from the Philippine Statistical Authority.

F. Financial Sector

Iloilo City has the most number of banks in Western Visayas totalling to 134 (Table 1). ¹ As an indicator of economic growth of the City and the surrounding areas in its periphery, Iloilo City is considered the financial center for Panay Island.

Table 1. Number of Bank Branches in Iloilo City, by Type of Banks

Classification	Number of Branches
1. Universal/Commercial Banks	81
2. Rural Banks	25
3. Thrift Banks	28
TOTAL	134

Source: Bangko Sentral ng Pilipinas, Iloilo Branch/City Planning and Development Office

G. Peace and Order

The aggressive anti-criminality campaign and police operations of the Iloilo City Police Office is an important factor for the city's low crime rate. There are 27 police stations and a police force of 714 men in 2012, providing peace and order in the city (Table 2). The city government has provided the police force with 45 serviceable patrol cars and 40 motorcycles as part of its logistical support to the different police stations around the city.

Table 2. Police Force in Iloilo City (2012)

Number of Policemen		Number of Police Stations	
Commissioned Officers	41	Police Stations	6
Non-Commissioned Officers	673	Community Police Assistance Center	21
TOTAL	714	TOTAL	27

Source: Philippine National Police (PNP) - Iloilo City Police Office (ICPO)

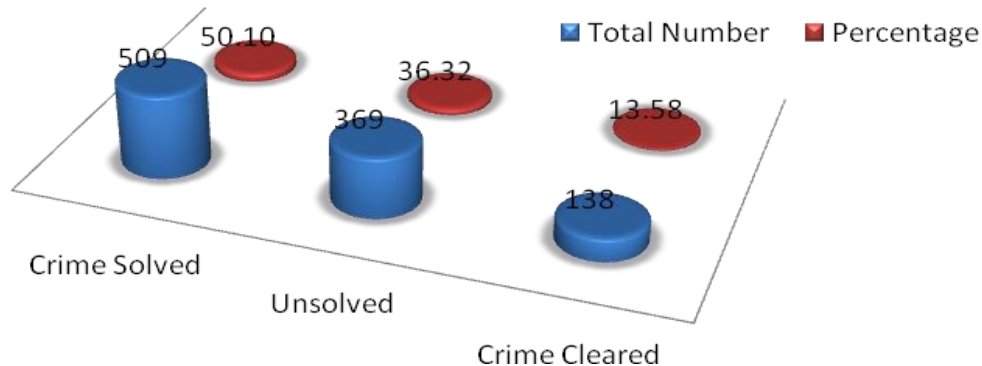
Total crimes committed in the city reached 1,342 in 2012, most of which are in the nature of physical injuries and theft (Table 3). Crime efficiency for the year is relatively good with only a little more than a third of crimes (36.2%) remaining unsolved (Figure 4).

¹ Banks include commercial banks, savings and mortgage banks, private development banks, stock savings and loan associations and specialized government banks.

Table 3. Crime Statistics (2012)

Type of Crime	Total Number
A. Index Crimes	734
1. Murder	40
2. Homicide	20
3. Physical Injuries	218
4. Robbery	163
5. Theft	267
6. Rape	24
7. Car napping	3
B. Non-index Crime	282
C. Domestic Violence Against Women	318
1. Blottered	284
2. Filed	34
3. Settled (referred to Lupon)	0

Figure 4
Crime Efficiency 2012



Source: PNP-ICPO

H. Government Operations

Continuous reforms and innovative programs are being implemented by the city government as part of its initiative to be more business-friendly. A business one-stop shop (BOSS), which was operationalized in 2014 significantly reduced the number of steps in processing the renewal of business permits to three (3) for walk-in applicants and one (1) for on-line applicants. With this reform, business permits can be released in less than an hour.

Iloilo City is the only LGU from the Philippines awarded by the Palladium Balanced Scorecard Hall of Fame in 2009 in the Executing Strategy in the Asia Pacific Region category for promoting

public-private partnership (PPP). It has implemented many different PPP projects and initiatives encompassing all sectors from education, health, economic, environment and tourism.

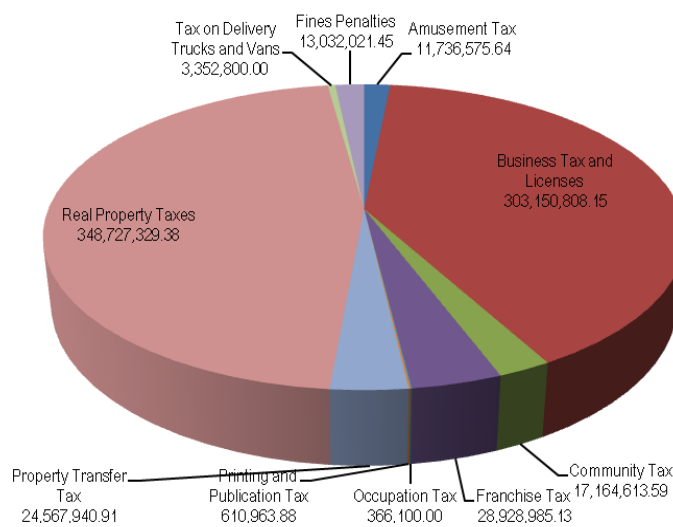
As part of its good governance programs, the city has been implementing the following monitoring and evaluation initiatives:

- Created the Spending Assessment for Government Efficiency (SAGE) to monitor and evaluate the utilization of city government resources;
- Restructured the Task Force on Anti-Squatting and Illegal Structures to rid the city of unsightly and illegal structures; and
- Created the Task Force on Anti-Piracy, Anti-Pornography, Internet and Gaming Centers to go after illegal internet operators and vendors of pirated and pornographic materials.

The City has also been recipient of many different local and international awards. It received various awards such as (1) the Seal of Good Housekeeping for excellence in transparency, accountability and good fiscal management awarded by the DILG; (2) Gawad Pamana ng Lahi Award for excellence in Local Government Performance Management System; (3) Excel Awards for excellent performance in Administrative Governance; (4) “Galing Pook” Award for Iloilo Dinagyang Festival; (5) Outstanding Fiscal Management Award during the COA Exit Evaluation in August 2011; (6) Gold Award and Special Project Awards for Iloilo River Development Project at the 2010 and 2011 International Liveable Communities (LiveCom) Awards; (7) the Red Orchid Award for Smoke Free Environment Initiatives – LGU Level for 2012 and 2013; and (8) second in the Governance category and 6th most competitive city in 2014 by the National Competitiveness Council.

Local taxes continue to be the main source of revenue for Iloilo City. Real property taxes amounting to Php 349 million and business taxes totalling to Php 303 million in 2012 constituted the largest revenue contributors to the local government coffers.

Figure 5
Collected Revenue of Iloilo City, 2012
(In Php)



Source: Iloilo City Treasurer's Office

II. DEVELOPMENT THRUSTS AND DIRECTION OF ILOILO CITY

A. Iloilo City in the Regional Development Plan (RDP)

The development strategies of the Regional Development Plan (RDP) for Region VI include sectoral development priorities that are consistent with the development objectives of Iloilo City. These key sector development priorities in the Plan that are relevant to the city include the following:

- Creating a business environment conducive to economic growth
- Streamlining business registration processes and reducing the time for securing local permits
- Capacitating farmers/fishers/growers to be entrepreneurs and establish links with institutional markets
- Formulating a comprehensive and effective marketing strategy for local products here and abroad
- Developing market-driven tourism itineraries towards an integrated tourism circuit plan among priority destination sites
- Harmonizing and institutionalizing standards for tourism products and services as bases for accreditation and branding
- Fast tracking the construction, rehabilitation, improvement and expansion of critical infrastructure
- Ensuring easy access to basic education, health and medical services, low-cost housing, and livelihood and employment opportunities for the poor

Region VI is currently pursuing major capital investments that will help sustain economic growth and impact on the lives of the poor in the City. Among these are the following:

1. Rehabilitation and upgrading of major road projects that will connect to the major and secondary growth centers in the islands of Panay, Guimaras, and Negros Occidental to enhance mobility and flow of goods and services. This includes the full completion of the Iloilo Circumferential Road, the widening of sections of the Iloilo-Capiz Road, the construction of the Roxas City Circumferential Road, and the Bacolod-Silay Airport Access Road are targeted within the Plan period. The right-of-way of the old Panay Railway route will be packaged into a Panay Express Highway that will reduce travel time from Iloilo City to Roxas City and onwards to Caticlan by as much as 40%.
2. Improvement and expansion of the Iloilo International Airport, Kalibo International Airport, Silay Airport, and Roxas Airport. The new Boracay Airport will be finished in 2016 through a public-private partnership (PPP) scheme, which will support the arrival of an average of three million tourists per year.
3. Upgrading and improvement of the Base Ports of Iloilo (International Container Port Terminal, the Iloilo River Wharf, and Port San Pedro) including the Guimaras-Iloilo Ferry Terminal in the City of Iloilo, the Port of Dumangas in Iloilo, Port of Lipata in the Province of Antique, Port of Culasi in the province Capiz, Port of Banago in Bacolod City, and Ports of San Carlos and Danao in Negros Occidental.

4. Installation of additional power. Although the Panay Transmission Backbone is soon to be completed, there is still a need to install the Panay-Guimaras Submarine Cable to transmit excess power to be generated by the 54MW-Guimaras Wind Farm, once operational in 2015. The Cebu-Negros-Panay 230 kV Backbone Project, Stage 1 is soon to be undertaken which will include the installation of a second Panay-Negros submarine cable. This is to ensure reliable power transfer and to meet load growth and entry of additional generation capacities.
5. Encouraging the private sector to invest in renewable power generation. The 8MW-Villasiga 1 Hydroelectric Power Plant (HEP) is scheduled for commissioning in 2014. In the next two years, the 50MW-Nabas Wind Farm in Aklan, the 54MW-San Lorenzo Wind Farm in Guimaras, the 50MW-Pulupandan Wind Farm and the 18MW-San Carlos City Biomass Power Plant in Negros Occidental will be ready to operate. Moreover, the completion of the 18MW-Madalag HEP in Libacao, Aklan is targeted in 2016.
6. Promoting agricultural development with the rehabilitation of 22,340 hectares of agricultural land through the Jalaur River Multi-Purpose Project, Stage II, and, in the pipeline an additional of 9,500 hectares of new service areas to be irrigated upon its completion in 2016.

B. Current Developments in Iloilo City

Iloilo City, the region's capital, is expected to perform multiple roles along commerce, trade, finance, recreation, education, and regional governance. Already, the city is transforming into a cosmopolitan area where world class amenities will mix with local heritage. It is projected to be the venue for national and international conferences and events and the center for commerce, trade, finance, recreation, education, and regional governance.

The old airport in Mandurriao is now the Iloilo Business Park being developed by Megaworld where the Iloilo Convention Center will soon rise to cater to major national and international gatherings, exhibits, events, and entertainment. Hotels and condominiums like Richmonde Hotel, Courtyard Marriot, One Madison, along with recently constructed hotels by local investors around the city are rising to meet future demand.

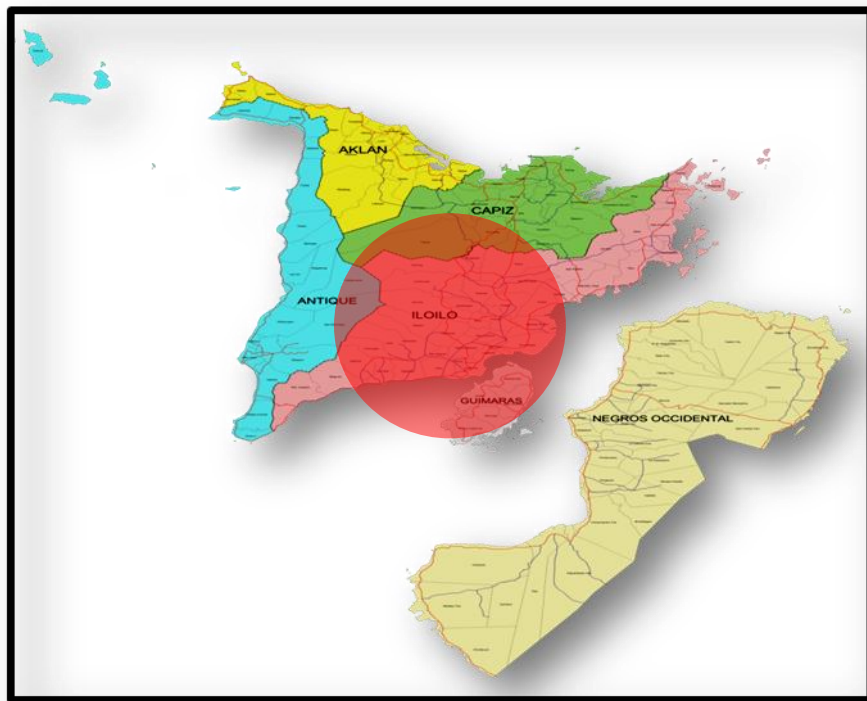
The widening of the road networks from the Iloilo airport towards the city are taking place, along with the radial roads aimed at decongesting traffic going to and from the central business district. Roads from the Iloilo Commercial Port Complex are also being widened.

The development of Iloilo City and its suburb will spillover in the surrounding municipalities of Pavia, Leganes, Oton, Tigbauan and Sta. Barbara where several housing projects have been developed. Interlocal cooperation with Iloilo City and these municipalities and the province of Guimaras had been formalized through the Metro Iloilo Guimaras Economic Development Council (MIGEDC) to address the problems of urban sprawl, environmental threats, traffic congestion and increasing demand for basic services through integrated planning and service delivery (refer to Figure 6).

Iloilo City is the jump-off point to Guimaras which is the region's agri-ecotourism center. The province has natural resources ideal for hiking, biking, caving and trekking and white sand beaches. Already, several international biking events had been held in the locality. It is also the producer of export-quality mangoes, crab meat, cashew nuts and other food-based products. Jordan, the capital of Guimaras, is the government center and center for

commerce and trade. It is accessed from Iloilo City through two entry points – in Jordan and Buenavista. Linkage between Iloilo City and Jordan and Buenavista is currently being improved through the upgrading of ferry terminals. Road connections for the east-west corridors to link the seaports at the west, facing Panay Island to the east, facing Negros Occidental is being improved. The Sebaste wharf in Sibunag in the eastern side will handle large cargo vessels.

Figure 6. Metro Iloilo Regional Center



Source: Regional Development Framework, Region VI, NEDA

C. Industry Structure and Trends

There are about 9,070 business establishments in Iloilo City, most of which are in the services sector (93.1%) based on data from 2008-2012 (Table 5). Two subsectors dominate the services - wholesale and retail trade (43.3 %) and the community, social and personal services (30.0%). The share of registrants belonging to the industry sector is a meager 7.1 percent of the total while no establishment was registered in the agriculture sector.

Table 4.
Number of Business Registrants (New and Renewed) in Iloilo City, by Industry Sector
(2008 – 2013)

Sectors/Subsectors	2008	2009	2010	2011	2012	2013*
1. Agriculture	0	0	0	0	0	0
• Agriculture, Forestry and Fisheries	0	0	0	0	0	0
2. Industry	523	517	605	613	664	661
• Mining and Quarrying	0	0	0	0	0	0
• Manufacturing	433	433	503	489	469	458
• Electricity and Gas	60	53	66	78	89	105
• Construction	30	31	36	46	106	98
3. Services	7319	7405	7852	8111	8406	8595
• Wholesale and Retail	3672	3675	3695	3878	3990	4013
• Transportation	50	50	89	145	158	155
• Communication and Storage	20	20	19	19	22	23
• Financing, Insurance, Real Estate and Business services	1286	1369	1551	1527	1565	1603
• Community, Social and Personal Services	2291	2291	2498	2542	2671	2801
Total	7842	7922	8457	8724	9070	9256

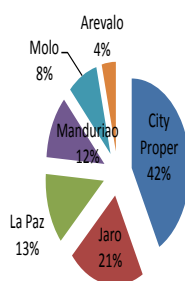
*Data for 2013 is partial as of this date October, 2013.

Source: BPLO Iloilo City, 2013

The concentration of businesses in Iloilo City is in the City Proper (42%) and Jaro districts (21%) (Figure 8), indicative of where most of the economic activities are taking place. Iloilo City Proper is also known as the Central Business District (CBD) because of the noted volume of commercial activities in the area.

Figure 7

Figure 8
New and Renewed Business Registrants by District



Source: Iloilo City BPLO, 2013

The fast development of the city, however, is reflected in the growth in the number of registrants by sector. For instance, the business registrations for the whole industry sector has been growing at 6.4 percent from 2001-2012 compared to the 3.5 percent expansion of those in the services sector for the same period (Table 6). Within industry, construction activities triggered by the various buildings and malls being set up since 2010 probably led to the hefty 44 percent growth of registrants from sector. The transportation sector is also expanding impressively, with business applications from the sector expanding by 37.5 percent. It is interesting to note that these two subsectors support the tourism industry and the development of an IT BPO hub which the city hopes to achieve by 2015 while it prepares for the ASEAN Integration. Meanwhile, the utilities sector, power and water, posted more than 10 percent growth in business registrations. All these reflect the vigorous development of the city in the last five years.

**Table 5. Growth of Sectors, 2008-2012
(In %)**

	2008-2009	2009-2010	2010-2011	2011-2012	Average
Industry	-1.1	17.0	1.3	8.3	6.4
• Manufacturing	0.0	16.2	-2.8	-4.1	2.3
• Electricity and Gas	-11.7	24.5	18.2	14.1	11.3
• Construction	3.3	16.1	27.8	130.4	44.4
Services	1.2	6.0	3.3	3.6	3.5
• Wholesale and Retail	0.1	0.5	5.0	2.9	2.1
• Transportation	0.0	78.0	62.9	9.0	37.5
• Communication and Storage	0.0	-5.0	0.0	2.5	5.2
• Financing, Insurance, Real Estate and Business services	6.5	13.3	-1.5	2.5	5.2
• Community, Social and Personal Services	0.0	9.0	1.8	5.1	4.0
Total	1.0	6.8	3.2	4.0	3.7

Basic data was based on business registrations for the period covered

The acceleration in Iloilo City's growth started in 2010, which coincidentally was an election year. The new leadership of Iloilo City and the drastic urban transformation all contributed to the growth in business in Iloilo City. The private sector has seen the bureaucratic reforms through the business streamlining efforts of the local government and the enforced professionalism implemented among the city hall employees. The most evident reform in Iloilo City is the urban transformation seen in road improvements, Iloilo River rehabilitation, the clean up and maintenance of roads and parks, and rehabilitation of the central business district as a heritage area.

The creation of the Iloilo City Trade and Investment Promotions Board was a pioneering act of the city executive to mobilize the private sector into a partnership with the city government and to encourage people's participation to development. This is best reflected in the slogan "My City, My Pride". The slogan is encouraging the people to own the city's development by actively participating in all its programs.

The growth of Iloilo City mirrored the performance of the region. Based on data from the National Statistical Coordination Board, the economy of Western Visayas as measured by its gross regional domestic product posted an impressive growth of 7.5 percent in 2012 from 6.2 percent in 2011 and 4.5 percent in 2010.

IV. ILOILO CITY'S NEW VISION AND DIRECTION

Vision of the City

In a visioning exercise conducted by USAID-INVEST with the participation of the city government and local private sector groups, there was general consensus that the city should be developed as a mixed aqua-industrial trade and services center in Western Visayas and Mindanao". Three industries the city aspires to promote and develop are the tourism industry, information, communication and technology (ICT) industry, and the aqua-manufacturing industry.

Tourism Industry

The Iloilo City government see the tourism industry as the avenue for growth and development. Central Philippines has been designated in the Philippine Development Plan as the country's premium tourist destination on account of its range of natural attractions and cultural heritage. Based on consultations with provincial tourism officers, planners, and representatives from the tourism industry throughout central Philippines, the following vision statement has been formulated:

"The Central Philippines will be a significant destination that offers direct international access, seamless interconnectivity, world-class tourist facilities and products that meets the demands of tomorrow's tourists. The Central Philippines will achieve these through the sustainable development of tourism products, environmental protection and enhancement, underpinned by adequate infrastructure with rational management of the destinations, capacity building, investment promotion and effective marketing and an improved business environment." (Department of Tourism, 2010)

Looking into the future, the major challenge facing Iloilo City and the rest of the central Philippines super region areas is to diversify the economy from its reliance on primary products, mainly agriculture. This can only be done by identifying and developing value added internationally-traded products/services in agri-business, manufacturing and the service sectors. Iloilo City looks at tourism as having the potential to make a significantly greater contribution to the local and adjacent surrounding economies by capitalizing on the wealth of ecological and cultural attractions which include pristine and white sandy beaches, diverse marine life, volcanoes, forests and heritage sites identified by the United Nations Educational, Scientific and Cultural Organization.

Currently an integrated sustainable tourism management plan for Iloilo City and the MIGEDC area is being formulated, identifying viable critical environmental, infrastructure and community-based projects to link and integrate the tourism development on a total perspective. As a guide to this developmental plan, the following key factors were identified in a tourism focus group discussion to help create a competitive tourism destination:

- direct international access
- seamless interconnectivity
- world class facilities and products

- sustainable tourism product development
- capacity building for communities
- infrastructure development to attract investment
- marketing connectivity
- improved business environment

Information and Communication Technology Business Process Outsourcing (ICT BPO)

Iloilo City is home to 242 registered internet cafes in 2012, generating gross sales of about Php 23 million. The number of registered internet establishments has been growing at 35 percent from 2008. The city has been recognized as one of Tholons' top 100 business process outsourcing (BPO) destinations in the country. As evidence of the positive outlook of the industry, there are two huge ICT-related investments in Iloilo City; The Ayala Iloilo Technohub and Iloilo Business Park.

The Ayala Iloilo Technohub

Ayala Land Inc. is transforming a two-hectare property in Iloilo City into a BPO hub. It signed a 35-year lease agreement with Teodoro B. Pison and Josefina B. Pison-Ortiz, and Riverside Boardwalk Properties Inc. for the development of a 2-hectare property located at Riverside Boardwalk, Barangay San Rafael Mandurriao in Iloilo City. The project consists of the construction of three BPO facilities with a total of 19,000 square meters of gross leasable area. The initial phase, which is the construction of the first building with approximately 9,500 square meters of Gross Leasable Area (GLA) and a project cost of Php 305 million, has already been done. This is registered with the Philippine Export Processing Authority (PEZA) to avail of its fiscal and non-fiscal incentives.

Megaworld's Iloilo Business Park

The Iloilo Business Park will adopt a concept of a mixed-use master-planned community in a 54.5 hectare property. It will have BPO offices, hotels, a convention center, commercial and retail centers, skills training center, recreational facilities and a transportation hub, all at the heart of the new growth center in the Visayas.

Megaworld has started constructing the Richmonde Tower. Its BPO component will run from the second to sixth floor, offering more than 9,000 square meters of prime office space for BPO locators. The upper floors are slated for Richmonde Hotel Iloilo.

With its strong work-play-learn components, the Iloilo Business Park projects are expected to fill more than 24,000 seats for the BPO sector, and its retail component will make available more than 200,000 square meters of space for the commercial sector.

Since all Megaworld's cyberparks are PEZA-certified IT parks, locators to any project within Megaworld's BPO triangle are entitled to exclusive perks such as income tax holidays, duty-free importation of office equipment, hiring of expatriates and repatriation of earnings, among others.

Iloilo City is currently home to four operating economic zones with BPO locators (refer to Table 6).

Table 6. Operating Economic Zones in Iloilo City

Name	Size (in hectares)	Locators
1.Amigo Mall	0.94.	- Anthem Solutions, Inc. - Transcom Worldwide (Philippines) Incorporated
2.Iloilo Commercial Development Corporation Building	0.14	- SPI Global CRM, Inc.
3.Iloilo Technohub	2.39	- Hinduja Global Solutions Limited
4.SMCI I.T. Center	17.5	- Teletech Customer Care Management Philippines, Inc.

Source: Iloilo Federation for Information Technology (IFIT);peza.gov.ph

There are three other PEZAs currently being developed: (1) Iloilo Business Park of Megaworld Corporation (54.47 has.); (2) Plazuela de Iloilo of Florete Land, Inc. (1.25 has.); and (3) Robinsons Place Iloilo (3.24 has.).

The latter hectares of available leasable space are for business process outsourcing. The Gaisano Capital Info Center and the J. Salvador IT Center were among those recently approved for accreditation by PEZA and awaiting endorsement to the Office of the President.

Aqua Manufacturing Industry

Manufacturing constitutes a very small segment of the economy of Iloilo City representing about 7% of the establishments registered in 2013. The city aspires to develop this industry because of two factors. First, Iloilo City is surrounded by municipalities which produce agricultural products abundantly that are being shipped and processed out of the island of Panay. Secondly, there is an existing facility within Iloilo City that could be rehabilitated and transformed into an industrial area to process the surfeit of agricultural and fishery products of the adjoining municipalities.

A more important reason for the development of this industry is to prevent the further degradation and conversion of farmlands and fishponds into subdivisions and residential areas in the surrounding municipalities as landowners are selling their properties to developers for instant money. Agricultural and fishery value adding can be provided as an alternative to farm owners and fishpond producers with the availability of an agri-industrial zone.

Iloilo City is contemplating on making use of the Iloilo Fishing Port Complex, which was once the main fish landing and trading center. It has deteriorated over the years into a leasing property for small manufacturers and fish dealers. The facilities are not used to its optimum level and has become dysfunctional in relation to its intended purpose. The plan is to rehabilitate and convert it into an industrial area within the city. The idea stemmed from the fact that the city has increased its ability to support manufacturing in terms of manpower and energy resource. But there are still a lot of preparations to be done in line with this plan including providing the needed infrastructure and improving market networking.

V. CHALLENGES AND PROPOSED ACTIONS TO ENHANCE INDUSTRY GROWTH

Iloilo City has adopted a new vision: *To Become a Premier City by 2015*. Anchored on this new vision, the drive is to hasten development by addressing gaps immediately in order to maintain the current vibrancy of the economy and to take advantage of the dynamism and openness to reforms of the local government. The following are the most immediate challenges that impinge on industry growth that should be immediately addressed:

Need for seamless interconnectivity. A central place needs to have seamless interconnectivity of land, air and water transportation. The Iloilo City government needs to look at the coordination, synchronization, harmonization and global benchmarking of all transport facilities. Specifically, a systematized transportation and communication management should be initiated and put into place. A transportation road map needs to be developed. There are already designated terminals for land, air and sea transport but they are not well-coordinated and developed to accommodate huge volume of people and cargo traffic.

Improvement in the water supply and facilities. The current water district is not well managed and cannot supply and distribute sustainably the demand for water of Iloilo City residents and business community. The facilities of the district need to be rehabilitated and reorganized immediately. The reorganization should also define a restructured and rehabilitated infrastructure for water distribution.

Strengthening the Alliance of Metro Iloilo Guimaras Economic Development Council (MIGEDC). The alliance is a very strong and unique factor for change and development to happen. But political agenda and turfs dampen the vision of the alliance to forge an integrated plan of development that is mutually beneficial to the members. There is a need to strengthen relationships and redefine the roles and unique contribution of each member of the alliance in relation to the total inter and intra-development of the integrated municipalities in the alliance and Iloilo City. The alliance is a strong pull for the city as the agricultural and most of tourism resources are coming from the municipalities and not from Iloilo City itself.

Need for academic and industry linkage. The academe is the supplier of interdisciplinary supply of talent and manpower resources in the city. Iloilo City has more than a hundred schools both private and public including a national university (UP Visayas) and eight other universities offering diverse academic programs. The programs offered by the universities are mostly not synchronized and directed to the specific needs of the industries located in Iloilo City. This is one of the primary reasons for unemployment and underemployment in the city as well as the high graduate migration out of Iloilo City. The local government, together with the private and business sector, must promote the synchronization and harmonization of curricular programs and trainings across universities. It should institutionalize a set-up that establishes a feedback mechanism between the academe and the industry on the relevance of the academic institutions' curriculum to the needs of the business sector.

Participatory governance. Every growth area needs a strong and well-grounded system of governance with a strong morally-upright and respected local executive. Strong governance requires participation of the constituency in every development agenda of Iloilo City. An

institutionalized dialogue or forum with every sector should be established by the city government to encourage participation of the public and the private sectors and, at the same time, provide an avenue for conflicts to be resolved and problems to be addressed.

Well-directed and Project-based infrastructure and business support. The infrastructure support for the industries that were previously identified by Iloilo City as foci to development should be initiated and supported sustainably. There have been ill-directed infrastructure constructed at the heart of Iloilo City, which became more of a menace than a solution. These are some of the mistakes in the past that need to be undone by the current administration. The infrastructure and other business support needed for the development of the three industries, to wit, IT-BPO Industry, tourism and manufacturing, should already be put on the drawing board and the strategic plan of Iloilo City.

Continued urban transformation. The urban transformation started by the local government unit has borne fruits in terms of business growth and heightened private sector participation. Infrastructure development is the most visible form of urban transformation that will inspire the confidence of investors. As the city is moving towards expanding the urban center in its periphery, there must be continuous improvement in all facilities which are frequently used by people.

Putting in place bureaucratic reforms. As outlined in the Regional Development Plan, streamlining of business processes is a necessary step towards industry propulsion and growth. Iloilo City already has made a significant head-start in its business permit and licensing system. Putting the system in place through institutionalization and organizational development within the city hall is a necessary and important step. This will further gain the trust of taxpayers, businessmen and prospective investors.